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From: Commander, Navy Installations Command

Subj: FY-07 MORALE, WELFARE, AND RECREATION (MWR) NONAPPROPRIATED FUND (NAF) BUDGET

Encl: (1) Instructions for Preparing FY-07 MWR NAF Budgets
(2) Excel 5.0 MWR NAF Budget CD
(3) Region Navy Exchange Dividends
(4) APF controls (MW & CD)
(5) CYP Budget Guidance & Parent Fees
(6) FY-07 Stretch Goals

1. Enclosures (1) and (2) contain the FY-07 NAF budget call, instructions for preparation, and a CD containing the budget spreadsheets and instructions. An electronic version of the budget call may be obtained at www.mwr.navy.mil/mwrprgms/naf.htm. Please follow the instructions provided in loading the file formats on your computers.

2. The primary goals of the FY-07 budget continue to be maintaining high quality, properly sized, customer focused and financially sound MWR programs for Sailors and their families. MWR Regions/Funds shall:

a. Budget at least breakeven net income (after depreciation and NEX dividends) for the region.

b. Attain a minimum 5% profit as a percentage of revenue in Category C activities inclusive of depreciation.

c. Align installation-based back of the house support functions (accounting, procurement, IT, personnel, marketing, etc.), into a single regional location, if this has not already occurred. Regions should plan to complete this action by the end of FY-07.

d. Submit amplifying business plans or other documentation detailing actions being taken if the region is realistically unable to meet the requirements listed above, including operating at breakeven net income. Please include a description of the factors that directly influence your ability to meet these requirements. These factors may include size of the population served, location, availability of off-base alternatives, cost of living, and the prevailing wage structure.

e. Assume that the overall download cost for FY-07 will increase by 10% above the actual amount downloaded in FY-06. We will continue to monitor actual benefit costs for the remainder of FY-06 and provide updated download projections as applicable. All other budget line items should use an inflation factor of 3.5%. Total benefits, including downloaded costs, annual leave; FICA and sick leave are estimated to be 30% of salaries.

f. Provide a Five-Year Financial Plan for the region using the FY-07 budget year as the base-year and projecting four out-years. When projecting the out-years, consider any future planned personnel changes or pending BRAC actions within your region.

3. Enclosure (3) contains information on the FY-07 NEX Dividend to each region. As in years past, each region will receive 25% of the NEX profit generated within the region. During FY-06, local NEX activities may have provided stations unaudited estimates of NEX profits. These local estimates did not include NEX regional distribution center or corporate overhead expenses. Enclosure (3) provides the region dividend after NEX overhead expenses have been applied.

4. Completed station NAF budget submissions, using the format in enclosure (2), should be forwarded to the appropriate Regional Command and must arrive at CNIC Millington Detachment by 30 June 2006. Before consolidating and forwarding budgets, Regional Commanders should review and approve their station MWR NAF budgets using the following guidelines:

a. Station budgets have a goal of maintaining at least breakeven net income. Regions should identify any installation(s) within the region unable to meet this requirement and provide a narrative identifying any actions that will be taken to improve overall financial performance. As stated above, the overall region consolidated budget should be at least at breakeven net income.

b. Direct appropriated fund (APF) support executed through UFM for MW and CD should be reflected in the FY-07 NAF budget. Regions should program all direct APF using the OP-34 format, showing APF by program element. A copy of this document should accompany the Region's budget submission. Other pertinent information regarding APF allocations follows:

- APF requirements as delineated by the Performance Data Call Pricing Model are not fully funded for FY-07. However, FY-07 APF controls and Region NAF revenue generating capability are sufficient to eliminate the NAF Bridge next year. This complies with the BOD approved goal of eliminating the NAF Bridge for operational support and increasing NAF capitalization funding during FY-07. Cyclical pressures from reduced NEXCOM dividends add to the challenge of providing quality programs and cash flow to support future initiatives.

- FY-07 APF controls are reported in enclosure (4). Although challenging, Regions are expected to implement ROC funding priorities for APF execution during FY-07. Accordingly, APF funding should migrate "northward" from non-core programs until core programs are fully funded at the COL 2 level. Only GS labor should be executed in non-core programs during FY-07. All non-labor APF should be executed in core programs until the core programs are fully funded to meet COL 2 requirements. Many region core programs attained COL 2 performance during FY-06 by supplementing APF funding with the NAF Bridge, which will not be available in FY-07.

- Where MWR programs are, or will be, provided by non-Navy (outsourced) delivery systems on-base, incorporate the cost of such services into your requirements base when there is a direct Navy APF cost (i.e., on-base contract services) used to purchase the services. Do not incorporate requirements to provide an already provided on or off-base non-Navy delivery system. Furthermore, do not re-open a closed or outsourced service unless a business case analysis clearly supports the viability of the service.

- During FY-07, all APF non-labor funding executed through the UFM process should be assigned to the correct program vice reporting as part of common support. This reporting can be accomplished by providing a spend plan, in a net zero format (by CAC and Job order number), to the Region Comptroller showing where UFM support is programmed for execution. By providing this information in advance to Comptrollers, MWR can assure that UFM support posts to programs rather than to common support when funds are obligated. Any differences between actual execution and the initial spend plan can be adjusted when the final net zero document is completed.

- To enhance MWR financial planning and programming, the CNIC comptroller has authorized that three quarters worth of UFM funding be made available to MWR during the first quarter of FY-07. Copies of the Net Zero document and the UFM MOA should be forwarded to the CNIC Millington points of contacts listed below in the FY-07 budget package.

c. FY-07 CYP parent fees and resource controls are listed in enclosure (5).

5. Enclosure (6) contains the FY-07 CNIC Stretch Goals. These goals do not supersede existing policy, but are intended to encourage entrepreneurialism, teamwork, and benchmarking. In addition, the Stretch Goals provide a suggested basis for an incentive awards program. Regions should use the narrative section to describe planned efficiencies or revenue gains that result from Stretch Goals and other regional initiatives.

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6. CNIC financial points of contact are Mr. Steve Williams at (901) 874-6594/DSN 882, Ms. Meredith Wilson at (901) 874-6598/DSN 882, Ms. Kathy Wade at (901) 874-6614/DSN 882, or Mr. Daryl Davis at (901) 874-6591/DSN 882.

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By direction

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